



# Report and Accounts

FOR THE YEAR ENDED 31st MARCH 1971



**BOOTS PURE DRUG COMPANY LIMITED**

## Notice of annual ordinary general meeting

NOTICE IS HEREBY GIVEN that the ANNUAL ORDINARY GENERAL MEETING of Boots Pure Drug Company Limited will be held at Boots works canteen, Beeston, on Thursday, the 15th day of July 1971, at 12 o'clock noon.

The business of the meeting will be:

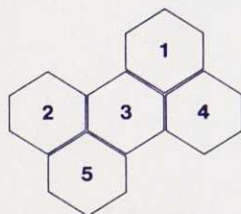
- (a) To receive the directors' report and statement of accounts and the auditors' report thereon.
- (b) To declare a dividend.
- (c) To elect directors.
- (d) To fix the remuneration of the auditors.
- (e) To transact any other business which may be dealt with at the annual general meeting.

### NOTES

1. Any member entitled to attend and vote at the above-mentioned meeting is entitled to appoint one or more proxies (who need not be members) to attend and vote in his stead. A proxy card is enclosed with this report and accounts.
2. In accordance with the general undertaking which the company has given to The Federation of Stock Exchanges, a statement of transactions of directors (and of their family interests) in the ordinary shares of the company will be available for inspection at the registered office of the company, 1 Thane Road West, Nottingham, on any weekday (Saturdays excluded) from the 17th June to 15th July 1971, during usual business hours, and at Boots works canteen, Beeston on 15th July 1971 from 11.45 a.m. until the conclusion of the meeting.
3. No director of the company has a contract of service.

By order of the board,  
H. T. MILNES,  
Secretary.

Dated this 17th day of June 1971.



### ILLUSTRATED ON THE COVER:

1. Automated Boiler house to serve the central Nottingham Boots complex, from which 100,000 tonne units of steam are distributed for process and heating per annum.
2. The programmed automatic equipment for the manufacture of pastilles at Beeston.
3. Lipstick production and assembly line at the Airdrie factory, near Glasgow. Part of the completely new Number Seven range of over two hundred cosmetics.
4. Part of the new six acre warehouse, for factored goods at Beeston, from which we are distributing this year  $4\frac{3}{4}$  million packages to retail branches, plus  $\frac{1}{4}$  million cases overseas of our own brands.
5. An experiment in self-service at the new Boots at Wigston Magna, near Leicester.



## Directors and officers

Chairman	W. R. NORMAN
Managing director	G. I. HOBDAY, Ph.D., F.R.I.C.
	D. E. M. APPLEBY
	J. H. ARKELL, C.B.E.
	L. A. COOMBS
	R. C. M. DICKSON, M.P.S.
	K. H. HARPER, F.P.S.
	B. JEFFERIES
	SIR JAMES PITMAN, K.B.E.
	THE RT. HON. LORD REDMAYNE, P.C., D.S.O.
	A. D. SPENCER
	M. J. VEREY
	A. G. S. WILKES
Secretary	H. T. MILNES
Registered office	1 THANE ROAD WEST, NOTTINGHAM, NG2 3AA
Bankers	NATIONAL WESTMINSTER BANK LTD.
Auditors	PEAT, MARWICK, MITCHELL & CO.

## Report of the directors

for the year ended 31st March 1971

The directors submit their eighty-third annual report to the shareholders, together with the audited accounts for the year ended 31st March 1971.

### Profits, dividends and retentions

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The consolidated profit and loss account shows the profit of the group which amounts before taxation to £24,953,000 compared with £20,189,000 for the previous year, and after taxation to £14,308,000 as against £11,034,000.

The profit after taxation attributable to the parent company is £14,222,000 compared with £10,999,000 for the previous year.

The directors recommend the payment of a final dividend of 12% to the ordinary shareholders, which together with the interim dividend already paid, makes a total of 19% for the year.

The remainder of the group net profit after paying the recommended dividends will be £5,763,000 which the directors recommend should be transferred to reserves.

Details of the profit, dividends paid and recommended, and transfers to reserves are shown in the consolidated profit and loss account on page 11.

### Group activity

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The principal activity of the group is that of retailers of chemist and other merchandise, and the manufacture and wholesale distribution of pharmaceuticals, drugs, fine chemicals and toilet preparations. Fuller details are shown on page 3.

### Exports

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Exports by the home group in the year amounted to £5,531,000.

### Fixed assets

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The directors are of the opinion that the market value of the properties of the group, which are all employed in the business, is substantially in excess of the net book value of £71,624,000 at which they are included in the consolidated balance sheet.

Full details of the movements of fixed assets are shown in Note 9 on page 16.

### Group employment and remuneration

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The average number of persons employed weekly in the UK by the group during the year was 42,815. The total remuneration paid during the year to all such employees was £40,121,000.

### Payments for charitable and political purposes

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Payments totalling £31,000 have been made by the home group during the year for charitable purposes.

An endowment of £100,000 has been made to Nottingham University to establish a chair in the new Medical School and Teaching Hospital.

A payment of £5,000 was made during the year to British United Industrialists.

### The board of directors

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#### Election of directors

Mr. L. A. Coombs and Mr. A. G. S. Wilkes were appointed directors on 16th July 1970 and in accordance with article 107 retire and offer themselves for re-election.

Mr. J. H. Arkell, C.B.E., was appointed a director on 6th August 1970 and in accordance with article 107 retires and offers himself for re-election.

The Rt. Hon. Lord Redmayne, P.C., D.S.O., in accordance with article 100 retires by rotation and offers himself for re-election.

Sir James Pitman, K.B.E., retires in accordance with article 109 and offers himself for re-election.

Mr. R. C. M. Dickson, M.P.S., retires in accordance with article 109 but does not offer himself for re-election.

#### Directors' shareholdings and transactions

In order to comply with the Companies Act 1967, the names of those who were directors during the year and the details of their interests in the share and loan capital of the company are shown on page 20 and are deemed to be part of this report.

### Auditors

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The auditors, Messrs. Peat, Marwick, Mitchell & Co., are willing to continue in office and a resolution concerning their remuneration will be proposed at the annual general meeting.

*By order of the board* H. T. MILNES, Secretary.

17th June 1971.



## Principal companies

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<b>PARENT</b>	Boots Pure Drug Company Limited	Manufacturers and wholesale distributors of pharmaceuticals, drugs, fine chemicals and toilet preparations.
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### **SUBSIDIARIES** (wholly owned except as otherwise indicated)

#### INCORPORATED IN GT. BRITAIN

Boots The Chemists Ltd.	Retail chemists
Boots Farm Sales Ltd.	Agricultural and veterinary suppliers
Timothy Whites & Taylors Ltd.	Retail houseware
Whites Property Co. Ltd.	Property holding
Watts Brothers (Manchester) Ltd.	Wholesalers of hairdressers' requisites
British Saccharin Sales Ltd. (51%)	Wholesalers of saccharin

#### INCORPORATED OVERSEAS

Australia	Boots Pure Drug Co. (Australia) Pty. Ltd. *Sugarine Pty. Ltd.	Manufacturing and wholesale chemists Wholesalers of sweetening agents
France	Les Etablissements C. David Rabot, S.A. (80%) Laboratoires Dacour, S.A. (80%)	Manufacturing chemists Wholesale chemists
India	Boots Pure Drug Co. (India) Ltd. (60%)	Manufacturing and wholesale chemists
Italy	Boots-Formenti S.p.A. (55%)	Wholesale chemists
Kenya	Boots Pure Drug Co. (Kenya) Ltd. †Kenya Overseas Co. Ltd.	Holding company Manufacturing and wholesale chemists
New Zealand	Boots The Chemists (New Zealand) Ltd.	Retail chemists
Nigeria	Boots Pure Drug Co. (Nigeria) Ltd.	Wholesale chemists
Pakistan	Boots Pure Drug Co. (Pakistan) Ltd. (56½%)	Manufacturing and wholesale chemists
Singapore	Boots Pure Drug Co. (Far East) Pte. Ltd.	Wholesale chemists
South Africa	Boots Pure Drug Co. (South Africa) (Pty.) Ltd.	Manufacturing and wholesale chemists

\*A wholly owned subsidiary of Boots Pure Drug Co. (Australia) Pty. Ltd.

†A wholly owned subsidiary of Boots Pure Drug Co. (Kenya) Ltd.

## Group highlights

for the year ended 31st March 1971

		<i>Percentage increase over previous year</i>
Sales in the UK	£244.9 million	14.2%
Exports from the UK	£ 5.5 million	23.7%
Sales by overseas companies	£ 7.8 million	38.6%
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Profit before taxation	£ 25.0 million	23.6%
Profit after taxation, attributable to Boots shareholders	£ 14.2 million	
equivalent to	8.0 p per share	
Dividends to shareholders	£ 8.5 million	
equivalent to	4.8 p per share	
Retained in the business	£ 5.7 million	
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Capital employed	£115.8 million	
on which the profit (before interest and taxation) represents a return of	22.3%	
Capital expenditure during the year	£ 9.5 million	

*For further details see group financial record on pages 18 and 19.*

## Dates and facts to note

### Dividend and interest payments

Ordinary dividends	Interim	<i>Announced early November. Paid early January.</i>
	Final	<i>Proposed mid May. Paid mid July.</i>
6% loan stock interest		<i>Paid end June, September, December and March.</i>
7½% loan stock interest		<i>Paid end September and March.</i>
Timothy Whites & Taylors Ltd.—		
6¼% loan stock interest		<i>Paid beginning September and March.</i>
8% loan stock interest		<i>Paid beginning August and February.</i>

### Results

First half-year results	<i>Announced early November.</i>
Results for the year	<i>Announced mid May.</i>
Report and accounts	<i>Circulated mid June.</i>

For capital gains tax purposes the market value of a Boots ordinary share on 6th April 1965 was 80p and of £100 6% loan stock was £90½.



## Statement by the Chairman Mr. Willoughby R. Norman

### Trading Year

The better things anticipated last year have come to pass and we have enjoyed a year of considerable progress on almost every front. Of course the big inflationary upsurge caused by wage increases far in advance of productivity created a 'false' purchasing power from which retailers generally could register sales of high monetary value as opposed to high volume increase. In such an artificial climate one must be careful to determine the extent to which one's progress has been in real terms. I think ours has been very real, partly because of past measures taken and referred to last year, and partly because of the public's growing awareness of what we have to offer.

World sales were £257 m., an increase of nearly 15% over last year, and in percentage terms the largest increase in the last 20 years. Boots The Chemists, the retail chain, put on £24 m., the Timothy Whites chain £4 m., wholesale sales in the U.K. and sales for export from the U.K. each put on £1 m., and the sales of overseas companies were up by £2 m. Our retail sales increase of 14% compares with a figure for retail sales in the nation as a whole for the calendar year 1970 of 7%. It is interesting too that our sales showed a rising momentum of increase as the year proceeded in that at each quarter end the increase was larger than at the previous one, and not only larger than last year's figure but also larger than our budget figure.

### Profit and Taxation

Total profit before tax came out at £24,953,000 an increase of 23.6%. Taxation, with corporation tax at 40% compared with 42½% last year, claims £10,645,000 thus leaving a profit of £14,308,000 after tax.

## Statement by the Chairman—continued

Last January we paid an interim dividend of 7% (£3,116,000) and the directors now recommend a final of 12% (£5,343,000) to make a total of 19% compared with a total of 17% last year. Expressed in new pence this is 4.75p per share compared with 4.25p.

Other important figures are highlighted on page 4 and on pages 18 and 19 are figures over the last 10 years.

### Merchandise and Retailing

The year has been an exciting one in the merchandise field and particularly for Own Brand merchandise. Our teen-age range of cosmetics—'Seventeen'—goes from strength to strength with a sales increase of over 70% and now has an important share of this national market. In the autumn we launched 'Jade East', a high quality range of toiletries for men, which immediately proved successful in a market which over the past 10 years has seen more failures than successes. But most important of all we have just re-launched our major cosmetic range 'N07', completely repacked and with many new formulations. Our objective is to double its sales in the next two years.

These products are manufactured in our own factories but other Own Brands outside the pharmaceutical or toiletries field are made for us to our specification. Amongst these are specialised foods, razor blades, toothbrushes, cameras, films, record players and electric appliances such as shavers and hairdriers. Own Brands are not confined to the Boots chain and many are under development for Timothy Whites which has recently launched a range of high quality stainless steel garden implements.

During the course of the year the Consumer Association's magazine *Which* has commented favourably on no less than 12 of our Own Brand products, and a further one has been given an award by the Council of Industrial Design.

While Own Brands are being increasingly successful a great deal of our trade continues to come from proprietary merchandise. We recognise this, and we must and shall continue to give the proper measure of support and emphasis to this highly important segment of our business. We greatly depend on the suppliers of our proprietary and non-proprietary products and we are grateful to them for their support and the service they give us.

We have used the 'Boots for Value' slogan now for many years but this year it has been perhaps more meaningful than ever before. Our policy of very competitive pricing and promotions has been operated in a climate of extremely rapid wage and cost inflation. In addition we operated a self-imposed price freeze during the month of February over the decimalization period, and as soon as the reductions in S.E.T. were announced, and which become effective in July, we made immediate and significant reductions in the prices of 233 lines.

'Boots for Value' is basic to our trading policy. It is a valid claim confirmed over the years. Jesse Boot, the founder of the business, took as his slogan when he had achieved several hundred shops, 'Biggest, Cheapest, Best'. This still applies and our slogan today is but the logical development of his, and one from which we shall not depart.



With these accounts is a supplement showing some of the Boots and Timothy Whites merchandise which I hope will be of interest to shareholders and encourage them to shop with their company where they will find range and value at uniform prices throughout the United Kingdom.

Turning to the two retail chains we have continued to place emphasis on the need for expansion and modernisation. Both Boots The Chemists and Timothy Whites have benefited from a capital development programme amounting to almost £6 m. during the past year, and nearly £36 m. during the sixties.

The Boots chain has gained from the completion of large new shops at High Wycombe, Walsall, Leicester, Colchester and Hemel Hempstead, which, with the modernisation and extension of some 75 other branches, now lifts the total sales area to 2.8 million square feet in 1,438 branches. For the future, new shopping centres in Corby, West Bromwich, Camberley and Blackburn will provide further opportunities, together with large new premises in Hereford and Wood Green and the modernisation of another 100 shops. This will soon enable us to have 3 million square feet of sales space in operational use under the Boots name.

In the Timothy Whites organisation we now have 198 shops, having opened additional branches at Walsall, Burton-on-Trent, Worcester, Sale and Hemel Hempstead, and we have modernised a further 35 of the original chain whilst closing a number of smaller units that were not suitable to the new image. Development will be concentrated on the continuing modernisation and improvement of our existing shops, with new

shops in Chelmsley Wood and Bromsgrove, and we shall at the same time investigate every opportunity for further expansion where the circumstances warrant.

The changing pattern of retailing habits in this country, both with regard to shopping centres and within the shops themselves, demands an increasing need for constant review and experimentation. To this end we are to participate with J. Sainsbury in a new shopping centre at Bretton, Peterborough, and there will be further opportunities of this kind to be investigated. We are experimenting in a limited number of branches with self service and are constantly making improvements to our shop fittings with a view to improving productivity whilst maintaining an acceptable service. We also have two experimental shops under the name of Babyboots selling only baby products.

On the distribution side the new warehouse at Beeston, which covers more than 6 acres and which I mentioned in my report last year, was completed on schedule and is now fully operational. During the year we also completed the establishment of a network of 18 Redistribution Centres throughout the country which should improve the speed and efficiency of our operation. As may be imagined distributing from some 50,000 different lines to over 1,600 different shops weekly via seven warehouses from three factory complexes and 10 proprietary buying offices is not a simple matter. There is perhaps no other field where a small increase in efficiency can bring such a big return and with this end in view we have made an important new appointment on the distribution side.



## Manufacture

During the year all the manufacturing plants have been kept extremely busy. In particular the success of our anti-rheumatic drug Brufen has made necessary a major expansion of capacity and a new plant for the manufacture of this drug is accordingly being constructed to be in production by the late summer. A major task for our Pharmaceutical-Cosmetic factories has been the production of the new N<sup>o</sup>7 range to which reference has already been made.

Over 200 items have been created and the preparation and distribution of these were made to meet a simultaneous launch date of April 17th, 1971.

New processes include a fully automatic equipment for the manufacture of pastilles which has attracted a considerable amount of interest internationally, and the introduction of very sophisticated control in our weedkiller plant which employs a system of programme logic actuated by fluidics.

## Wholesale Marketing and Overseas Operations

During the year a new marketing organisation has been created to cover wholesale sales in the U.K. and all overseas trading with a Marketing Director in charge. This organisation covers agricultural chemicals, bulk chemicals, medical ethicals, national lines and contracts, and also controls the 10 overseas companies.

In the U.K. market sales of products of our own manufacture to third parties increased by 26% to £6.8 m. Additionally, the sales of products through Boots Farm Sales reached almost £5 m., an increase of 14%.

Direct exports have continued the upward pattern to reach £5.5 m., an increase of 24%, thereby doubling sales over a four-year period.

During 1970 we acquired an 80% holding in Les Etablissements C. David Rabot, S.A., a pharmaceutical company with a factory in Paris, thus strengthening our representation in Europe. During the year I visited our South African and Kenya companies whilst the Managing Director visited the companies in India and Pakistan.

Sales by our overseas companies have risen during the year by 38% to £7.8 m., and for the first time net profits have exceeded £1 m.

## General

As shareholders have been informed we propose to change for reasons already stated the name of the parent company from Boots Pure Drug Company to The Boots Company, and it is intended that this will operate from September next. The old name will be retained as that of a subsidiary company so that The Boots Company will then have at home for management purposes four main subsidiaries—  
Boots Pure Drug, Boots The Chemists, Timothy Whites and Boots Farm Sales.  
Overseas subsidiaries are listed on page 3 of this report.

We have always had close and cordial relations with Nottingham University, the original nucleus of which was the gift of our founder in 1928. The University is now to have a new Medical School and Teaching Hospital, the first to be established in the country this century, and because of our interest in medical research we



have thought it proper to give £100,000 for the endowment of a Boots Professorship of Clinical Therapeutics.

### People

In a year when labour problems of one kind and another have beset industry, Boots staff in shops, factories, warehouses and offices have worked well together to achieve the results recorded in earlier sections of this report. You will see that the increased business has been accomplished with scarcely any change in staff numbers. The benefits of this improved productivity have been reflected in significant wage and salary increases during the year and in the extra amount of profit earning bonus to be shared amongst the staff. During the electricity cuts and the change to decimal currency the staff showed much resource.

A new scheme of job evaluation has been introduced in production and warehouse departments. This was worked out jointly with the two unions concerned—Union of Shop, Distributive and Allied Workers and the Transport and General Workers Union—and developed with their officials and works representatives from all sites. This is an instance of management and unions working together to a common end. In our management we are trying hard to involve staff more and more in the conduct of the business and to give them a real feeling of participation.

The company has always recognised long service through holidays and profit earning bonus entitlements but this year we have introduced a 25-year service award. Shareholders may be interested to know that every tenth member of our staff qualifies. In connection with the profit

earning bonus the amount distributed to the staff this year is well in excess of £2 m.

Of the many important appointments constantly taking place I would like to single out two more for special mention. First, the appointment of a Director charged with every matter relating to the service, pay, training, welfare and pensions of the whole of our staff. Second, the appointment of a Security Chief because our losses are too high. Losses can arise in many ways and as everything taken from us comes out of the final net profit we must do all in our power to see that they are reduced to a minimum.

Three new Board appointments have been made since my statement last year.

Mr. A. G. S. Wilkes was appointed last July and became Merchandise Director, while at the same date Mr. L. A. Coombs was appointed Marketing Director as well as looking after our international affairs. Mr. J. H. Arkell, C.B.E., formerly Director of Administration of the B.B.C., joined us in August as a non-executive director.

At the Annual General Meeting in July Mr. R. M. Dickson will be retiring after 47 years with the company. His career has been one of exceptional distinction and there is probably no one who has a greater knowledge of retail pharmacy. We thank him for his outstanding service and every good wish goes to him always.

### Conclusion

The results I am able to report are in large measure due to the excellent performance of Boots management and staff at all levels, and on your behalf as well as my own I would like to thank them all at home and overseas for achieving these

satisfactory results. The lives of all who work for Boots are bound up with the company's success and we must continue to work together with maximum efficiency for the benefit of the company and ourselves, our shareholders and the public we serve.

By all the signs the current year should be another good one for us. We welcome the present climate of reduced controls and fewer restraints in which personal initiative is restored to the benefit of both the community and the individual. If we are able to grasp it our country now has the opportunity to progress and we of The Boots Company are determined to be amongst the front runners.



## Consolidated profit and loss account

for the year ended 31st March 1971

(Incorporating the results of the UK subsidiaries for the year ended 31st March 1971  
and of the overseas subsidiaries for the year ended 31st December 1970)

	Notes	1971 £000	1970 £000
<b>Net world sales</b>		257,387	223,883
<b>Trading profit</b>	1	25,810	21,052
<i>Deduct interest on loan capital</i>		857	863
<b>Profit before taxation</b>		24,953	20,189
<i>Deduct taxation</i>	2	10,645	9,155
<b>Profit after taxation</b>		14,308	11,034
<i>Deduct profit attributable to minority shareholders of subsidiaries</i>		86	35
<b>Profit attributable to the parent company</b>	3	14,222	10,999
<b><i>Deduct dividends paid and proposed</i></b>			
<i>Interim of 7% already paid (1970 6½%)</i>		3,116	2,894
<i>Proposed final of 12% making a total of 19% (1970 total 17%)</i>		5,343	4,675
		8,459	7,569
<b>Profit retained in the group and included in reserves</b>		5,763	3,430

# Consolidated balance sheet 31st March 1971

(Incorporating UK subsidiaries as at 31st March 1971 and overseas subsidiaries as at 31st December 1970)

	Notes	1971 £000	1970 £000
<b>CAPITAL EMPLOYED</b>			
<b>Shareholders' interests</b>			
Share capital	4	44,521	44,521
Share premium account	5	3,289	3,292
Reserves	6	51,577	46,191
		<u>99,387</u>	<u>94,004</u>
<b>Loan capital</b>	7	12,432	12,541
<b>Minority interests in subsidiaries</b>		483	408
<b>Provisions</b>		—	72
<b>Deferred taxation</b>	8	3,523	3,409
		<u>115,825</u>	<u>110,434</u>
<b>EMPLOYMENT OF CAPITAL</b>			
<b>Fixed assets</b>	9	95,783	91,920
<b>Unquoted investments</b>	11	15	7
<b>Difference arising on consolidation</b>	10(d)	189	225
<b>Net current assets</b>			
Stock	12	44,426	39,626
Debtors		15,763	13,128
Cash at bankers and short term investments		12,841	3,888
		<u>73,030</u>	<u>56,642</u>
<i>Less:</i>			
Creditors		29,865	24,314
Amounts due to bankers	13	7,380	479
Taxation	2	10,604	8,892
Final dividend		5,343	4,675
		<u>53,192</u>	<u>38,360</u>
		<u>19,838</u>	<u>18,282</u>
		<u>115,825</u>	<u>110,434</u>

W. R. NORMAN |  
G. I. HOBDAY | Directors

The notes on pages 14 to 17 form part of the accounts



## Balance sheet 31st March 1971

	Notes	1971 £000	1970 £000
<b>CAPITAL EMPLOYED</b>			
<b>Shareholders' interests</b>			
Share capital	4	44,521	44,521
Share premium account	5	3,289	3,289
Reserves	6	21,536	18,208
		<u>69,346</u>	<u>66,018</u>
<b>Loan capital</b>	7	8,187	8,187
<b>Provision</b>		—	55
<b>Deferred taxation</b>	8	1,241	1,219
		<u>78,774</u>	<u>75,479</u>
<b>EMPLOYMENT OF CAPITAL</b>			
<b>Fixed assets</b>	9	24,192	23,387
<b>Subsidiaries</b>	10		
Investment, less provision		26,608	25,974
Loans and current accounts		29,588	28,129
		<u>56,196</u>	<u>54,103</u>
<b>Net current assets</b>			
Stock	12	17,847	14,554
Debtors		11,315	9,447
Cash at bankers and short term investments		11,016	2,430
		<u>40,178</u>	<u>26,431</u>
		<i>Less:</i>	
Creditors		25,089	19,211
Amounts due to bankers		6,852	—
Taxation	2	4,508	4,556
Final dividend		5,343	4,675
		<u>41,792</u>	<u>28,442</u>
		<u>(1,614)</u>	<u>(2,011)</u>
		<u>78,774</u>	<u>75,479</u>

W. R. NORMAN  
G. I. HOBDAY

Directors

The notes on pages 14 to 17 form part of the accounts

# Notes on the profit and loss account and balance sheets

these form part of the accounts

<b>1. Trading profit</b>	<b>1971</b>	<b>1970</b>
	<b>£000</b>	<b>£000</b>
<b>(a) Trading profit is after adding:</b>		
Income from unquoted investments	1	1
and after deducting:		
Depreciation	4,965	4,379
Profit earning bonus for staff	2,222	1,868
Bank and other short term interest	95	62
Computer and other plant hire	331	314
Remuneration of auditors	25	23
Companies' payments to pension funds	1,291	1,198
<b>(b) Emoluments of directors of the parent company from all companies of the group:</b>		
Fees	15	15
Other emoluments	183	198
Pension paid to a past director	1	1
Payment to past directors on retirement	43	26
	— 242	— 240
Particulars of directors' emoluments (excluding pension contributions):		
Chairman	18	18
Highest paid director	25	23
<i>Number of directors</i>		
	<b>1971</b>	<b>1970</b>
The number of directors receiving emoluments in the following groups:		
Over £25,000	1	—
£22,501 to £25,000	—	1
£20,001 to £22,500	1	2
£17,501 to £20,000	2	2
£15,001 to £17,500	2	2
£7,501 to £10,000	2	1
£2,501 to £5,000	—	1
Under £2,500	5	4
<b>(c) Particulars of employees other than directors of the parent company whose emoluments exceeded £10,000 (excluding pension contributions):</b>		
	<i>Number of employees</i>	
	<b>1971</b>	<b>1970</b>
£10,001 to £12,500	—	2

<b>2. Taxation</b>	<b>1971</b>	<b>1970</b>
	<b>£000</b>	<b>£000</b>
The amount charged for taxation on the profit of the year consists of:		
UK corporation tax at 40% (45%)	9,792	9,189
Deduct relief for overseas taxation	134	112
	9,658	9,077
Transfer to provision for deferred taxation	487	284
Total UK taxation	10,145	9,361
Overseas taxation	550	302
	10,695	9,663
Adjustment for previous years	(50)	8
	10,645	9,671
Corporation tax adjustment	—	516
Charge to profit and loss account	10,645	9,155

The adjustment to the comparative figures of £516,000 (parent company £247,000) reflects the reduction in the rate of corporation tax for the year ended 31st March 1970 from 45% to 42½% which was announced after the publication of the accounts for that year. Similar adjustments have been made to the current taxation provisions appearing in the balance sheets.

No provision has been made for taxation liabilities which might arise on the distribution of profits retained by overseas subsidiaries.

<b>3. Profit attributable to the parent company</b>	<b>1971</b>	<b>1970</b>
	<b>£000</b>	<b>£000</b>
Total profit attributable to members	14,222	10,999
Deduct profit retained by subsidiaries	2,553	1,854
Profit of the parent company	11,669	9,145
Deduct dividends paid and proposed	8,459	7,569
Profit retained in the parent company	3,210	1,576



## Notes on the accounts—continued

	1971	1970
	£000	£000
<b>4. Share capital</b>		
Ordinary shares of 25p each:		
Authorised	50,000	50,000
Issued and fully paid	44,521	44,521

	Group	Parent
	£000	£000
<b>5. Share premium account</b>		
At 31st March 1970	3,292	3,289
Transfer to reserves (overseas subsidiary)	(3)	—
At 31st March 1971	3,289	3,289

	Group	Parent
	£000	£000
<b>6. Reserves</b>		
At 31st March 1970	45,675	17,961
Add adjustment to 1970 comparative figures (note 2)	516	247
	46,191	18,208
Add:		
Profit of the year retained	5,763	3,210
Surplus on sales of properties	182	16
Transfer from provision for deferred taxation	363	138
Goodwill written off	(890)	(17)
Transfer from share premium account	3	—
Miscellaneous items	(35)	(19)
At 31st March 1971	51,577	21,536

	1971	1970
	£000	£000
<b>7. Loan capital</b>		
PARENT		
Unsecured loans:		
6% loan stock 1978/83	2,066	2,066
7½% loan stock 1988/93	6,121	6,121
	8,187	8,187

	1971	1970
	£000	£000
SUBSIDIARIES		
Secured loans:		
3¼% first mortgage debenture stock	1,000	1,000
4% (1946) debenture stock	—	74
4⅞% mortgage loan	380	385
Unsecured loans:		
6¼% loan stock 1983/88	1,177	1,210
8% loan stock 1986/91	1,676	1,676
Others	12	9
	12,432	12,541

- (a) The 6% loan stock 1978/83 is redeemable at par.
- (b) The 7½% loan stock 1988/93 is redeemable at par.
- (c) The 3¼% first mortgage debenture stock is redeemable on 1st December 1982 at par.
- (d) The 4⅞% mortgage loan is redeemable after 1st March 1977 at par, on notice from the lenders.
- (e) The 6¼% loan stock 1983/88 is redeemable by yearly sinking fund redemption at par.
- (f) The 8% loan stock 1986/91 is redeemable by yearly sinking fund redemption commencing 1972 at £105 per cent.

### 8. Deferred taxation

Deferred taxation provision represents taxation on the excess of capital allowances (other than investment allowances) over the comparative depreciation charged against profit.

Notes on the accounts—continued

9. Fixed assets	GROUP			PARENT				
	Property £000	Fixtures and plant £000	Total £000	Property £000	Fixtures and plant £000	Total £000		
<b>Cost or valuation</b> At 1st April 1970:								
Cost	25,162	42,910	68,072	6,210	15,777	21,987		
Valuation	53,952	—	53,952	14,789	—	14,789		
Subsidiaries acquired	60	409	469	—	—	—		
Additions at cost	4,089	5,460	9,549	559	1,887	2,446		
Disposals	(605)	(1,963)	(2,568)	(21)	(551)	(572)		
Transfers and adjustments	—	—	—	(177)	517	340		
At 31st March 1971:	82,658	46,816	129,474	21,360	17,630	38,990		
Cost	29,177	46,816	75,993	6,768	17,630	24,398		
Valuation (see (b) below)	53,481	—	53,481	14,592	—	14,592		
	82,658	46,816	129,474	21,360	17,630	38,990		
<b>Depreciation</b> At 1st April 1970	9,545	20,559	30,104	3,966	9,423	13,389		
Subsidiaries acquired	16	296	312	—	—	—		
Charged to profit and loss account	1,614	3,351	4,965	448	1,027	1,475		
Disposals	(141)	(1,549)	(1,690)	(8)	(460)	(468)		
Transfers and adjustments	—	—	—	(11)	413	402		
At 31st March 1971	11,034	22,657	33,691	4,395	10,403	14,798		
<b>Net book value at 31st March 1971</b>	71,624	24,159	95,783	16,965	7,227	24,192		
	<i>Freehold</i> £000	<i>Long lease</i> £000	<i>Short lease</i> £000	<i>Total</i> £000	<i>Freehold</i> £000	<i>Long lease</i> £000	<i>Short lease</i> £000	<i>Total</i> £000

(a) The tenure of properties is as follows:

Cost or valuation	63,414	8,911	10,333	82,658	20,445	100	815	21,360
Depreciation	6,854	852	3,328	11,034	4,092	16	287	4,395
Net book value	56,560	8,059	7,005	71,624	16,353	84	528	16,965

(b) Details of independent valuations made of properties owned at 31st March 1971 are as follows:

	£000	£000
1958	9,764	9,741
1959	1,749	—
1965	41,968	4,851
	53,481	14,592

(c) The approximate amounts approved by the directors in respect of capital expenditure not provided for in these accounts are as follows:

	1971 £000	1970 £000	1971 £000	1970 £000
Contracts placed	4,356	6,370	1,031	1,491
Contracts not placed	1,518	1,140	124	718
	5,874	7,510	1,155	2,209



## Notes on the accounts—continued

<b>10. Subsidiaries</b>	<b>1971</b>	<b>1970</b>
	<b>£000</b>	<b>£000</b>
(a) Investment:		
At book value of net assets taken over	15,268	15,268
At par ( <i>1970 less provision</i> )	10,739	10,706
At cost, less provision	601	—
	<hr/> 26,608	<hr/> 25,974
(b) Loans:		
Due to parent	10,186	10,305
Due to subsidiaries	(23)	—
Current accounts:		
Due to parent	19,464	17,825
Due to subsidiaries	(39)	(1)
	<hr/> 29,588	<hr/> 28,129

(c) The currency values of the assets and liabilities of the overseas subsidiaries have been converted into sterling at the approximate rates of exchange ruling at 31st March 1971.

(d) The accounting periods of the overseas subsidiaries have not been synchronised with that of the parent company as this would delay presentation of the group's annual accounts.

(e) A list of the principal subsidiaries is shown on page 3.

## **11. Unquoted investments**

The unquoted investments of the group are valued by the directors at £22,000.

## **12. Stock**

Stock has been valued as in previous years, the basis being the cost to the group less provision to reduce to net realisable value.

## **13. Amounts due to bankers**

The overdrafts of certain overseas subsidiaries amounting to £416,000 at 31st December 1970 (*1969, £479,000*) were secured on the assets of those subsidiaries.

## **14. Company status**

Boots Pure Drug Company Limited is not a close company.

## Report of the auditors

### to the members of Boots Pure Drug Company Limited

We have examined the foregoing balance sheet, consolidated balance sheet and consolidated profit and loss account. The accounts of certain subsidiaries have been audited by other firms.

In our opinion the balance sheet and the consolidated accounts comply with the Companies Acts, 1948 and 1967, and give respectively a true and fair view of the state of the company's affairs at 31st March 1971 and, so far as concerns members of the company, a true and fair view of the state of affairs and of the profit of the group.

PEAT, MARWICK, MITCHELL & CO., Chartered accountants, Birmingham and London.  
13th May 1971.

## Group financial record

These tables express in figures the progress made in the last ten years

	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
<b>Sales (£000)</b>										
Sales: Home	102,032	106,017	113,555	123,550	136,060	144,786	155,187	203,727	214,381	244,873
Export	1,930	2,049	2,525	2,686	2,840	2,709	2,852	3,803	4,471	5,531
Sales of the home group	103,962	108,066	116,080	126,236	138,900	147,495	158,039	207,530	218,852	250,404
Sales by overseas subsidiaries	3,173	3,547	3,748	4,261	4,426	3,869*	4,183	5,140	5,597	7,755
Less sales by home group to overseas subsidiaries	(511)	(496)	(524)	(521)	(483)	(477)	(577)	(500)	(566)	(772)
Net world sales	106,624	111,117	119,304	129,976	142,843	150,887	161,645	212,170	223,883	257,387
*Sales by overseas subsidiaries were reduced in 1967 by £598,000 due to the devaluation of the Indian rupee.										
<b>Profit and cash flow (£000)</b>										
Profit before taxation	9,271	9,645	11,597	13,932	15,234	14,877	16,813	19,126	20,189	24,953
Taxation	4,931	5,044	6,151	7,494	5,689	6,034	7,596	9,148	9,155	10,645
Profit after taxation	4,340	4,601	5,446	6,438	9,545	8,843	9,217	9,978	11,034	14,308
Profit attributable to earlier years	—	—	—	420	—	—	—	—	—	—
Less:										
Minority interests	—	—	—	—	1	2	35	36	35	86
Preference dividends (gross)	97	97	97	97	—	—	—	—	—	—
Ordinary dividends (gross)	3,072	3,328	3,840	4,608	5,376	5,376	5,564	6,678	7,569	8,459
Income tax retained from dividends paid	(1,228)	(1,328)	(1,526)	(1,900)	(1,747)	—	—	—	—	—
Profit retained	2,399	2,504	3,035	4,053	5,915	3,465	3,618	3,264	3,430	5,763
Depreciation	1,839	1,994	2,240	2,533	2,923	3,267	3,636	4,225	4,379	4,965
Cash flow	4,238	4,498	5,275	6,586	8,838	6,732	7,254	7,489	7,809	10,728
<b>Other statistics</b>										
†Profit as % of capital employed	19.6%	19.3%	21.8%	20.6%	20.5%	19.0%	20.3%	18.4%	19.1%	22.3%
Ordinary dividends % allowing for scrip issues	8%	8.7%	10%	12%	14%	14%	14.49%	14.999%	17%	19%
Expenditure on fixed assets (£000)	4,373	5,110	4,842	7,484	8,376	8,122	6,878	6,225	8,292	9,549
Amount of profit earning bonus (£000)	861	896	1,077	1,294	1,415	1,379	1,555	1,770	1,868	2,222
Number of staff in UK (full-time equivalents)	40,181	39,936	39,473	39,401	39,824	39,247	38,615	45,617	42,264	42,815
Number of branches	1,298	1,290	1,284	1,270	1,268	1,266	1,256	1,817	1,695	1,638

†In arriving at profits as a percentage of capital employed, loan stock interest has not been deducted. Furthermore, corporation tax and previously income tax, payable on the profits of each year is classified as a current liability and thus not part of capital employed.



	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
<b>Capital employed (£000)</b>										
Ordinary shareholders' interests:										
Share capital	25,600	25,600	25,600	38,400	38,400	38,400	38,400	44,521	44,521	44,521
Share premium	—	—	—	—	—	—	—	3,375	3,292	3,289
Reserves	17,194	19,857	22,644	25,401	31,766	35,164	39,047	41,983	46,191	51,577
	42,794	45,457	48,244	63,801	70,166	73,564	77,447	89,879	94,004	99,387
Preference shares	1,400	1,400	1,400	—	—	—	—	—	—	—
Loan capital	2,066	2,066	2,066	2,066	2,066	2,066	2,066	12,634	12,541	12,432
Minority interests in subsidiaries	—	—	—	5	233	208	334	393	408	483
Provisions	1,020	1,020	1,020	927	927	927	927	1,900	72	—
Deferred taxation	693	708	1,133	1,578	1,659	1,985	2,596	3,125	3,409	3,523
	47,973	50,651	53,863	68,377	75,051	78,750	83,370	107,931	110,434	115,825
<b>Employment of capital (£000)</b>										
Fixed assets	37,227	40,014	42,354	58,662	63,410	67,535	70,422	89,769	91,920	95,783
Investments	14	9	11	11	10	8	8	8	7	15
Difference on consolidation	13	22	71	37	87	47	80	46	225	189
Net current assets	10,719	10,606	11,427	9,667	11,544	11,160	12,860	18,108	18,282	19,838
	47,973	50,651	53,863	68,377	75,051	78,750	83,370	107,931	110,434	115,825

The figures reflect the results of the property revaluation shown in note 9 and the redemption of the preference shares at 31st March 1965.

## Directors' shareholdings and transactions

The names of the directors at 31st March 1971, and details of the interests of each director and his family in the share and loan capital of the company at the date of the balance sheet are shown below. In accordance with the requirements of the Companies Act 1967, holdings at 1st April 1970, or at the date of appointment within the year are shown in brackets where these differ.

	<i>Number of ordinary shares</i>		<i>Amount of loan stock all beneficially held</i>
	<i>Beneficially held</i>	<i>Otherwise held</i>	
			£
W. R. Norman (Chairman)	41,955	174	—
G. I. Hobday, Ph.D., F.R.I.C. (Managing director)	8,500	—	101
D. E. M. Appleby	1,000	—	—
J. H. Arkell, C.B.E.	1,000 (—)	—	—
L. A. Coombs	1,000 (300)	—	—
R. C. M. Dickson, M.P.S.	2,654	—	107
K. H. Harper, F.P.S.	2,100	—	91
B. Jefferies	1,650	—	177
Sir James Pitman, K.B.E.	12,029 (10,169)	—	—
The Rt. Hon. Lord Redmayne, P.C., D.S.O.	2,000	—	—
A. D. Spencer	1,250 (1,000)	—	—
M. J. Verey	3,650	10,300	—
A. G. S. Wilkes	354	—	—





**BOOTS PURE DRUG COMPANY LIMITED**